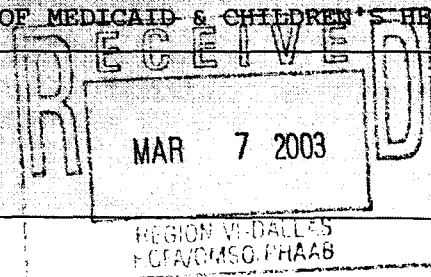


TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: 03 - 04	2. STATE: TEXAS
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE: January 1, 2003	
5. TYPE OF PLAN MATERIAL (Circle One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 440.167		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2003 \$ 461,244 b. FFY 2004 \$ 5,138,246	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: SEE ATTACHMENT		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT	
10. SUBJECT OF AMENDMENT: Amendment 639 modifies the reimbursement methodology for Primary Home Care (PHC) Services to combine two costs areas for reimbursement determination. In addition, the amendments allows HHSC to use recouped funds from the spending requirement of the attendant compensation rate enhancement to pay qualifying contracts that have attendant compensation costs exceeding the amount paid.			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt. <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Jason Cooke</i>		16. RETURN TO: Jason Cooke State Medicaid/CHIP Director Post Office Box 13247 Austin, Texas 78711 <i>Texas 03-04</i> <i>Approved: 04/30/03</i> <i>Effective: 01/01/03</i>	
13. TYPED NAME: Jason Cooke			
14. TITLE: State Medicaid/CHIP Director			
15. DATE SUBMITTED: March 7, 2003			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 7 MARCH 2003		18. DATE APPROVED: 30 APRIL, 2003	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1 JANUARY, 2003		20. SIGNATURE OF REGIONAL OFFICIAL: <i>Andrew A. Fredrickson</i>	
21. TYPED NAME: ANDREW A. FREDRICKSON		22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR DIV OF MEDICAID & CHILDREN'S HEALTH	
23. REMARKS:			



Attachment to HCFA-179 for
Transmittal No. 03-04, Amendment 639

Number of the
Plan Section or Attachment

Attachment 4.19-B

Page 6(b)

Page 6(c)

Page 6(e)

Page 6(e)1

Number of the Superseded
Plan Section or Attachment

Attachment 4.19-B

Page 6(b) (TN 00-15)

Page 6(c) (TN 00-15)

Page 6(e) (TN 00-15)

New

IX. Payment Rate Determination. HHSC determines payment rates in the following manner.

(1) Cost determination by cost area. Reported allowable costs for Primary Home Care are combined into three cost areas. Payroll taxes are allocated to each salary line item on the cost report on a pro rata basis based on the portion of that salary line item to the amount of total salary expense and employee benefits are applied directly to the corresponding salary line item.

(A) Service support cost area. This cost area includes field supervisors' salaries and wages, benefits, and mileage reimbursement expenses. This also includes building, building equipment costs, and operation and maintenance costs; administration costs; and other direct service costs. Administration expenses equal to \$0.18 per Priority 1 unit of service are allocated to Priority 1. The administration costs remaining after this allocation are summed with the other service support costs.

(B) Nonpriority attendants cost area. This cost area is calculated as specified in X (relating to Attendant Compensation Rate Enhancement).

(C) Priority 1 attendants cost area. This cost area is calculated as specified in X (relating to Attendant Compensation Rate Enhancement).

(2) For the service support cost area described in IX (1)(A) the following is calculated:

(A) Projected costs. Allowable expenses are projected, excluding depreciation and mortgage interest, per unit of service from each provider agency's reporting period to the next ensuing payment rate period.

(B) Projected cost per unit of service. To determine the projected cost per unit of service for each contract, the total projected allowable costs for the service support cost area are divided by total units of service, including nonpriority services, Priority 1 services, and STAR + PLUS services in order to calculate the projected cost per unit of service.

(C) Projected cost arrays. Projected allowable costs per unit of service for each contract and each contract's corresponding total units of service are rank ordered from low to high for each cost area.

SUPERSEDES: IN- 00-15

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(D) Recommended payment rate for the service support cost area. The total units of service for each provider agency are summed until the median hour of service is reached. The corresponding projected expense is the weighted median cost component. The weighted median cost component is multiplied by 1.044 to calculate the recommended payment rate for the service support cost area.

(3) Total recommended payment rate.

(A) For Nonpriority clients. The recommended payment rate is determined by summing the recommended payment rate described in IX (2) and the cost area component from IX (1)(B).

(B) For Priority 1 clients. The recommended payment rate is determined by summing the recommended payment rate described in IX (2) and the cost area component from IX (1)(C).

SUPERSEDES. IN- 00-15

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(5) Determination of attendant compensation rate component for participating contracts. HHSC will determine attendant compensation rate enhancement increments associated with each enhanced attendant compensation level. The attendant compensation rate enhancement increments will be determined by taking into consideration quality of care, labor market conditions, economic factors, and budget constraints. The attendant compensation rate enhancement increments will be determined on a per-unit-of-service basis applicable to each program or service.

(6) Spending requirements for participating contracts. Participating contracts are subject to a spending requirement with recoupment calculated separately for their Priority 1 and Nonpriority services as follows:

(A) Beginning September 1, 2001, the attendant compensation spending per unit of service will be multiplied by 1.07 to determine the adjusted attendant compensation per unit of service.

(B) The adjusted attendant compensation per unit of service from X (6)(A) will be subtracted from the accrued attendant compensation revenue to determine the amount to be recouped. If the adjusted attendant compensation per unit of service is greater than or equal to the attendant compensation revenue per unit of service, there is no recoupment.

(C) The amount paid for attendant compensation per unit of service after adjustments for recoupment must not be less than the amount determined for nonparticipating contracts.

(7) Reinvestment. HHSC will reinvest recouped funds from X(6) in the attendant compensation rate enhancement to the extent that there are qualifying contracts. Reinvestment will be calculated separately for qualifying contracts' Priority 1 and Nonpriority services.

(A) Contracts meeting the following criteria during the most recently completed reporting period are qualifying contracts for reinvestment purposes.

(i) The contract was a participant in the attendant compensation rate enhancement.

(ii) The contract's attendant compensation spending per unit of service of this section was greater than the total attendant compensation rate per unit of service granted to the contract.

(iii) HHSC has received an acceptable Attendant Compensation Report completed in accordance with all applicable rules and instructions.

(B) Available funds are distributed as described below.

(i) HHSC determines units of service provided during the most recent completed reporting period by each qualifying contract and multiplies this number by the attendant compensation spending per unit of service minus the attendant compensation rate per unit of service for the reporting period.

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(ii) HHSC compares the sum of the products from (X)(7)(B)(i) to funds available for reinvestment.

(a) If the product is less than or equal to available funds, all enhancements for qualifying contracts are retroactively awarded for the reporting period.

(b) If the product is greater than available funds, retroactive enhancements are granted beginning with the lowest level of enhancement and granting each successive level of enhancement until enhancements are granted within available funds.

(C) Retroactively awarded enhancements do not qualify as pre-existing enhancements for enrollment purposes.

(D) Qualifying facilities are notified of the award of reinvested enhancements in a manner determined by HHSC.

SUPERSEDES: NONE - NEW PAGE

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